

Message Text

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STADIS////////////////////////////////

FOR NEA/EGY MATTHEWS FROM AMBASSADOR

EO 11652: NA
TAGS: OVIP (SIMON, WILLIAM E.)
SUBJECT: SECRETARY SIMON VISIT

REF: STATE 17121

1. I VERY MUCH APPRECIATE REFTEL, AND YOUR SUGGESTION THAT WE BEGIN TRYING TO FOCUS TREASURY ON THOSE AREAS WHERE WE BELIEVE SECRETARY SIMON CAN CONTRIBUTE USEFULLY TO OUR EFFORTS HERE AND AWAY FROM THOSE WHICH ARE OF MARGINAL INTEREST. WHILE COMMENTS THAT FOLLOW RECOMMEND ONLY ONE GENERAL AREA IN WHICH I SUGGEST TREASURY NOT BECOME INVOLVED, I AM SENDING THIS MESSAGE STADIS SO THAT YOU MAY HANDLE INFORMATION AS YOU THINK BEST.

2. WITH ABOVE FACTS IN MIND I BELIEVE THAT SIMON'S CONTACTS WITH EGYPTIAN OFFICIALS, SHOULD TREAT FOLLOWING SUBJECTS, FAILORED TO FIT INDIVIDUAL MEETINGS.

A. OPEN-DOOR ECONOMIC POLICY. TREASURY, THROUGH ITS CHAIRMANSHIP OF ECONOMIC AND FINANCIAL JWG, IS IN GOOD POSITION TO RELATE REACTIONS OF US BUSINESS COMMUNITY TO PROBLEMS AND OBSTACLES THEY HAVE BEEN ENCOUNTERING. STRESS CAN BE PLACED ON THE
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IMPORTANCE TO EGYPT OF SECURING AT LEAST ONE

SIGNIFICANT INVESTMENT THAT CAN SERVE AS PILOT FOR OTHERS. IT WOULD BE BEST, I BELIEVE, IF DISCUSSION OF THIS ISSUE BE GENERAL RATHER THAN FOCUS ON SPECIFIC COMPANY PROPOSALS, IN ORDER TO AVOID DEBATE ON PROS AND CONS OF INDIVIDUAL PROJECTS.

(1) IN THIS CONNECTION, SECRETARY SIMON SHOULD STRESS IMPORTANCE OF GIVING US COMPANIES COMPETING FOR BIDS ABSOLUTELY EQUITABLE TREATMENT. THERE HAS BEEN SOME HINT IN AMERICAN BUSINESS CIRCLES THAT THIS HAS NOT ALWAYS BEEN CASE (CHEMTEX/DUPONT AFFAIR) AND ANY SUCH SUGGESTION COULD MAKE SERIOUS DIFFICULTIES FOR ADMINISTRATION'S ASSISTANCE PROGRAM IN CONGRESS.

(2) AT SAME TIME SIMON COULD POINT OUT OVERALL UTILITY TO EGYPT OF INVESTMENTS IN PROJECTS PROVIDING FOR IMPORT SUBSTITUTION RATHER THAN, AS AT PRESENT, INSITING ON EXPORTS AS MEANS OF FINANCING TOTALITY OF FOREIGN EXCHANGE COSTS, WHICH IN OUR VIEW, IS ONE OF THE OBSTACLES HOLDING BACK FOREIGN INVESTMENT IN EGYPT.

B. INTEREST RATES ON US-OWNED POUND DEPOSITS. AS YOU ARE AWARE, WE HAVE LAUNCHED EFFORT TO SECURE AN INCREASE IN PRESENT VERY LOW RATE OF INTEREST (0.5 PERCENT) THAT WE RECEIVE ON EXCESS CURRENCY DEPOSITS. THIS IS TREASURY CONCERN IN WHICH SIMON CAN TAKE ACTIVE AND USEFUL ROLE.

C. MANAGEMENT OF FOREIGN EXCHANGE. ONE OF PRINCIPAL PROBLEMS FACING GOE, AND WHICH HAS BEEN CALLED TO THEIR ATTENTION BY INDIVIDUAL DONOR STATES AS WELL AS INTERNATIONAL ORGANIZATIONS, IS LACK OF EFFECTIVE MANAGEMENT OF EGYPT'S LIMITED FOREIGN EXCHANGE RESOURCES. SIMON SHOULD URGE RATIONALIZATION OF MANAGEMENT WITH CONTROLLED ALLOCATION OF EXCHANGE BASED UPON CAREFUL DETERMINATION OF DEVELOPMENT PRIORITIES.

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3. IN ADDITION TO TOPICS WHICH I BELIEVE SIMON SHOULD PROMOTE, THERE ARE TWO ON WHICH HE SHOULD BE PREPARED TO SPEAK, IN EVENT - AS IS EXPECTED - THEY ARE BROUGHT UP BY EGYPTIAN SIDE.

A. EMERGENCY RELIEF ASSISTANCE. WHILE DEPARTMENT, AND IN PARTICULAR UNDERSEC ROBINSON, HAS LEAD ON THIS ISSUE, SIMON SHOULD BE PREPARED TO RESPOND WITH

WHATEVER POSITION WE WILL HAVE TAKEN BY TIME OF HIS VISIT.

B. SHORT-TERM DEBT. EGYPTIANS, ESPECIALLY PRESIDENT SADAT, CONSISTENTLY REFER TO NECESSITY FOR CONVERTING SHORT-TERM HIGH INTEREST OBLIGATIONS INTO MEDIUM TERM LOANS WITH LOWER INTEREST. SIMON SHOULD BE PREPARED TO SPEAK ON THIS ISSUE, SINCE IT HAS EARLIER BEEN MADE SUBJECT OF DISCUSSIONS WITH USG.

4. WHILE ABOVE SUBJECTS SHOULD PROVIDE FULLY SUFFICIENT MATERIAL FOR SIMON TO DISCUSS DURING BRIEF PERIOD HIS STAY HERE, PARTICULARLY SINCE THERE MAY BE OTHERS HE INTENDS TO RAISE OF WHICH I AM UNAWARE, I WOULD PREFER THAT TREASURY NOT BECOME INVOLVED IN FOLLOWING:

A. AID MATTERS. TREASURY HAS NO ROLE IN THIS CONNECTION AND THERE IS NO NEED FOR SIMON BECOME INVOLVED IN AID MATTERS. EXCEPTIONS ARE THOSE AID-FINANCED TECHNICAL ASSISTANCE PROGRAMS RAISED BY PARSKY DURING HIS LAST VISIT HERE: CUSTOMS, CENSUS STATISTICS, ETC., WHICH ARE RELATIVELY MINOR. OBVIOUSLY, NO COMMITMENTS OF ANY SORT IN AID FIELD SHOULD BE MADE WITHOUT PRIOR AID/W APPROVAL.

B. AGRICULTURAL MATTERS. 1974 REORGANIZATION OF JWG'S, WHICH PUT AGRICULTURE UNDER TREASURY CHAIRMANSHIP HAS RESULTED IN ALMOST TOTAL LACK OF ATTENTION BEING PAID TO AGRICULTURE. AGRICULTURAL MATTERS SHOULD BE MORE APPROPRIATELY TIED INTO DEVELOPMENT AREA WHICH PROPERLY COMES WITHIN AID PURVIEW. LIMITED OFFICIAL USE

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5. PLEASE LET ME KNOW IF YOU DESIRE ANYTHING FURTHER IN CONNECTION WITH ABOVE OR ANY OTHER ASPECT OF SIMON VISIT. WE, OF COURSE, WISH TO MAKE HIS STAY HERE AS USEFUL AND PRODUCTIVE AS POSSIBLE.

6. I BELIEVE THAT EMPHASIS BY SECRETARY SIMON OF THOSE POINTS OUTLINED PARA 1 ABOVE COULD PROVIDE HELPFUL ASSIST TO OUR EFFORTS TO PROMOTE AMERICAN BUSINESS AND US INVESTMENT HERE IN EGYPT. GOE WILL BE SENSITIVE AND, HOPEFULLY, RESPONSIVE TO HIS VIEWS. EILTS

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